

The Metaverse – much, much bigger than Facebook - Blain's Morning Porridge

8-10 minutes

Blain's Morning Porridge 16 Nov 2021: The Metaverse – much, much bigger than Facebook

“I’m serious. She could actually be a 300-pound dude who lives in his momma’s basement in suburban Detroit. And her name is Chuck.”

This morning: *Facebook is now Meta, and Meta wants to own the Metaverse. Just what is the Metaverse, what are the opportunities, and can Mark Zuckerberg repeat the success of Facebook by monetising a whole new way of doing business, or is it shaping up to be something much, much more?*

This morning’s Porridge is dedicated to my new colleague Diaa, who was foolish enough to ask what I thought about Facebook.. he will learn..

As a distraction from worrying about What Biden and Xi actually said to each other, the state of wage inflation across economies, UK vs Yoorp unpleasantness, and wondering what 100,000 armed-to-the-teeth Russians are doing on the Ukraine border (aside from being a classic **maskirovka** to distract us from what Putin is really doing..), I thought today I might continue my grand tradition of writing about stuff I know I know very little about...

So, just what is the Metaverse? What kind of opportunity does it represent? Is it, as so many fantabulous things in this wonderful world are, yet another digital solution in search of a problem? Is it hype or a genuine new trend?

Of course, my interest in the Metaverse was pricked 2 weeks ago when Facebook Inc changed its name to **Meta**. Since then the stock is up 7%, only down 8% from its September high before the recent whistleblower news. A few cynics have suggested the renaming was all about trying to distance and shut-off the recent sordid whistleblower accusations about Facebook.

Zuckerberg has previous form as something of a congenital acquisitive hoarder of the future – and he clearly wants to own “the metaverse” with the intention of monetising it. The question, and future value of the firm, ultimately lies in how well he achieves that.

The Metaverse concept was first described and named by Science Fiction writer Neal Stephenson – whom I’ve actually read! – right in the very early days of the internet revolution. Way back in 1992 he presented a vision of human avatars inter-reacting in a 3D digital space in the novel “Snow Crash”. He pretty much nailed it – establishing digital life alongside concepts like “proof of work” leading inevitably to the concept of digital currencies, the genesis of Bitcoin, the Blockchain and now Non-Fungible Tokens.

Today, the Metaverse is being “imagined” as some kind of Internet version 2.1 – but it’s really describes how we will all integrate digitally. It will offer a more immersive world of deeper engagement into virtual and augmented reality – once the technology catches up with the promises. “Digital Visionaries” are talking about how natural it will become to do everything from shopping, business and living a social life online in the form of single or multiple digital avatars... It informs the world of “Ready Player One” and raises fears about a “Matrix” like future.

The thing is – whatever Facebook would have us believe – it’s already happening and has been for some time. The global gaming sector is now infinitely larger than the film industry at over \$100 bln per annum. Fortnite, the game, has become a global sensation, and now includes virtual concerts given by smart artists who see the future potential. The amount of cash spent in-game purchases is over \$50 bln, just in the US!

My family hails from the Scottish City of Dundee, once famous for “*Jam, Jute and Journalism*”. In the 30-years post-war, it looked to be in terminal decline, but is now the heart of the UK’s exploding gaming sector and home to best-selling game ever: Grand Theft Auto. (Incidentally, the City’s recovery began in 1982 when the UK’s first commercial UK computer; the ZX Spectrum, was built in Dundee!) It’s a city reborn.

Zuckerberg has a problem. His existing brands; Facebook, Instagram and WhatsApp will remain essentially unchanged (for now) and are, essentially, advertising companies under competitive and evolutionary threat. They remain the dominant brands in social media advertising, but their user bases are not as sticky as once assumed, and they no longer have a monopoly as social media breaks and fragments into multiple players and themes.

Let’s give Zuckerberg some credit for trying to derisk Facebook Meta by diversifying its earnings. The regulatory risks from privacy concerns and the charge its maximised advertising revenues to the detriment of users by targeting them with dangerous social media tosh are huge. How long before an American class action suite emerges for trillions alleging American youth have been mentally damaged by social media?

Without Zuckerberg’s unique approach – I suspect Facebook would be as unlamented as “Friends Reunited” in the social-media graveyard. He is painting the Metaverse he intends to own as a virtual environment where “*you can be present with people in digital spaces*”, an “*embodied internet*”, and how it’s going to “*succeed the mobile internet*”. It’s an opportunity for him to monetise Facebook’s investment in things like the Oculus VR set, and to diversify his earnings from pure (yet risky) advertising to actually selling hard and soft stuff in the Metaverse.

Will he succeed in making Meta the dominant venue in the Metaverse?

Don’t underestimate the potential for monetisation in the Metaverse. Earlier this year a 17 year old artist, Fewocious, sold 600 digital sneakers in NFT format through an on-line auction for.... \$3.08 million. There is now a whole digital fashion universe selling unique NFT apparel gamers can wear on-line. As yet there isn’t a way of being able to dress across the net (enabling digital avatars to wear the same gear across multiple games and in multiple venues), but I’m assured it’s going to happen. There are now a host of earnest fashion designers exclusively focused on digital fashion.

There clearly are also real and valuable applications for the metaverse in terms of virtual reality business and education. Effectively, Education when virtual last year when millions of school-kids zoomed an academic year because of Covid. Imagine a future where kids can attend any school they want as digital avatars – interesting, and horrific in terms of real social interaction, not to mention the health consequences of living on line.

I'm intrigued by the business potential. Like every other firm we're wondering just how much office space we really need. How often do clients actually visit the office? Do we all need to be there? Would we not be cheaper and more efficient to continue developing better on-line tools. Instead of one hour zoom calls, what about an on-line digital office open all day? The potential to design and innovate new ways of working in the metaverse are only limited by our imagination!

Zuckerberg is a smart fellow who sees all that potential. He knows Facebook is a risk business – the declining numbers of young people using it isn't compensated for by the ones using Instagram. The dominant younger generation platform is TikTok, which is now part China Government owned after it took an ownership stake in Bytedance. As the Facebook brand inevitably fades its advertising revenues will plummet.

Therefore, he is staking the next stage of his brand's development on his company's 3D universe. He will find new ways to monetise whatever data Meta can find in its virtual and augmented reality universe – which is not without associated risks to consumers and therefore the company. And that's where the jury is out – can he make Meta as much a monopoly as Facebook once was? If not, and I suspect its going to be a very crowded space, then Meta's future is debatable long-term.

One final thought – if the Metaverse takes off, then I suspect so does a currency to go with it. I am reassessing Ethereum.

Out of time, and back to the real world of work in Dubai...

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